

Joint Symposium on Reducing Taxpayer Burden
November 1, 2006
Meeting Notes

At the November 1, 2006 Taxpayer Burden Reduction Joint Symposium, the attendees were asked to brainstorm ideas/issues related to reducing taxpayer burden. Out of the brainstorming session, ideas/issues were generated and then grouped in to six categories. The following tables reflect the six categories (Topics), issues associated with the major topics (Sub Topics), and the principal ideas/issues associated with the topics (Discussion Points).

Topics:

Process Improvement: Explores and evaluates changes to the filing/e-file process to make filing faster and easier for taxpayers and related stakeholders.

Outreach and Education: Explore options and opportunities to improve taxpayers' understanding of filing issues to better assist them in filing and paying their taxes.

Instructions: Make the tax forms and accompanying instructions easier to read and understand.

Payments and Refunds: Make it easier and/or cheaper for taxpayers to pay what they owe and provide additional options for receiving their refunds.

Filing & Policy: Determine policy issues and/or law changes that would provide California taxpayers with filing options that are free and that help reduce their burden.

Access to Data: Allow taxpayers and/or authorized stakeholders access to information FTB has regarding taxpayers to make it easier to file and pay taxes.

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Topic	Sub Topic	Discussion Points
Process Improvement	Use Federal Net Income/AGI	<ul style="list-style-type: none"> The state return would be based on the federal net income or federal adjusted gross income.
	Work on e-file rejection rate (lower rejection rate).	<ul style="list-style-type: none"> Look at e-file rejection rates independently. (Analyze the reasons e-file returns are rejected to see if the number of rejections can be reduced.)
	Immediate Acknowledgement.	<ul style="list-style-type: none"> Evaluate the feasibility of providing instant acknowledgement of whether an e-file return is accepted or rejected. Currently, e-file returns are submitted in a batch and acknowledgements are available in 10 – 30 minutes.
	Improve practitioner/software developers/FTB process.	<ul style="list-style-type: none"> There is a relationship between taxpayers, practitioners, software developers, and FTB. Work on tools for each and we'll improve the process. Industry provides value-added services to the taxpayer that isn't available with software alone.
	Have California participate in joint filing program with IRS.	<ul style="list-style-type: none"> Suggestion for FTB to consider Fed/State filing program.
	Begin with issues on the Federal return.	<ul style="list-style-type: none"> Review where burden is heaviest – address 1st! Burden is on federal items such as EITC. Explore differences between federal and state and simplify both to simplify the process. No matter how we simplify the state, taxpayers still have to prepare a federal return.

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Financial Education and Outreach	Outreach for "financial literacy".	Develop strategies and outreach efforts for educating taxpayers on financial savings, financial planning, etc. For example: <ul style="list-style-type: none"> • Financial literacy - CA Society of CPAs are promoting. • Provide bonus to taxpayer (incentive to e-file).
	Involve non-profit/consumer groups.	<ul style="list-style-type: none"> • Partner with non-profit and consumer groups to educate taxpayers on financial literacy and tax planning.
	List for taxpayers to assist with filing.	<ul style="list-style-type: none"> • Develop educational materials for taxpayer record keeping. • Provide a list of items and records taxpayers will need to prepare return.
	Include consumer groups in process.	<ul style="list-style-type: none"> • Provide information on basic government benefits such as the food stamp and healthy family program.
	Getting information early for outreach: VITA/taxpayer/preparer	<ul style="list-style-type: none"> • Partner with stakeholders to educate taxpayers on financial literacy and planning. • VITA is not available until February; consider providing in January.
	Educate taxpayer on payment options.	<ul style="list-style-type: none"> • Educate taxpayers on the different payment options available.

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Instructions	Simplify Instructions.	<ul style="list-style-type: none"> Disclaimers- CA has too many disclaimers on their forms. Written form advice is too narrow in scope. Need to provide forms in multiple languages (Minnesota has tax forms in 10 languages). Instructions are currently too confusing and are difficult to understand. Confused taxpayers will not understand what their benefits are or how to claim them; therefore they may lose out on the benefits they're entitled to. (e.g. renters credit.)
	Tailor instruction to most common filing situations.	<ul style="list-style-type: none"> 2/3 of Federal taxpayers don't itemize and 80% of the complexities are on the business side. Forms should be tailored to target specific types of returns (Wage earners rather than business and itemized deductions.)
	Test Readability of forms for audience.	<ul style="list-style-type: none"> Conduct usability studies with taxpayers on understanding forms and instructions. Provide information in multiple languages.
	Continue to allow practitioners to comment on draft forms.	<ul style="list-style-type: none"> Practitioners know their audience and have valuable input on improving the clarity of forms and instructions.
	Address withholding instructions.	<ul style="list-style-type: none"> Withholding instructions are especially complex for their targeted audience. Many returns are filed only for the purpose of claiming withholding, and that otherwise do not have a filing requirement.

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Payments & Refunds	Eliminate credit card convenience fee for low income taxpayer.	<ul style="list-style-type: none"> Most online companies don't charge a convenience fee for using a credit card. The current convenience fee may add to taxpayer burden.
	Consider not processing/sending low refunds.	<ul style="list-style-type: none"> Look at the processing costs to issue a refund. Have an option to rollover a refund to the next year if under \$10.
	Look at Refundable Earned Income Tax Credit & Child and Dependant Care Credit.	<ul style="list-style-type: none"> EITC/CDC – Recommend a future forum to discuss Expanded burden to require additional information for providers' address & SSN.
	Threshold for paying when taxes are owed (i.e., don't need to send in money if owe < \$10)	<ul style="list-style-type: none"> Forgive taxes under \$10 or as appropriately cost/beneficial.
	Option to have refund loaded onto a public benefits card.	<ul style="list-style-type: none"> Develop or use an electronic prepaid card (like a county benefits card) for taxpayers who don't have a bank account. Public benefits card would provide better financial management for those taxpayers without an account.
	Allow taxpayers to use refunds to directly purchase savings bonds.	<ul style="list-style-type: none"> May help taxpayers save or lead them to invest.
	Bad addresses for refunds – send returned refunds to employer.	<ul style="list-style-type: none"> Make a better attempt to get taxpayers with returned mail their refund check.
	Offset credit for refunds not issued because of bad address to future years.	<ul style="list-style-type: none"> If FTB is unable to locate a taxpayer who is due a refund, consider applying the funds directly toward future years, instead of "holding" the refund in their tax account.
	Many taxpayers don't use direct deposit because they don't want to give out their bank information. Educate taxpayers on what information is provided to FTB and what FTB does with their information.	<ul style="list-style-type: none"> Perception issue for direct deposit. Taxpayers don't want to give a government agency bank information.

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Filing & Policy	Keep ReadyReturn on the table.	<ul style="list-style-type: none"> • ReadyReturn requires taxpayer to check data provided by FTB so it's still a challenge. • FTB should have ALL data on a taxpayers' ReadyReturn rather than just wage and withhold information. • Taxpayers accept FTB's figures, risking underreporting income (tax gap). • Study taxpayers who use software but still print and mail their return as well as do-it-yourself paper filers. • ReadyReturn only serves a small population. • Encourage FTB to look at reformed alliance & look at the UK's similar model. • Taxpayers that used ReadyReturn liked it.
	Consider Free-file based alternative	<ul style="list-style-type: none"> • IRS' Free-File is not user friendly or free. • Don't replace online filing with free-file. • Free-file is being improved to meet taxpayer needs. • FFA is being improved (industry + government). • Prohibits taxpayer from participating if they don't qualify. • FFA is not required/intended for states. • Possibly reform FFA to meet FTB and taxpayer's needs. • FFA needs to be a consumer free safety zone. • A lot of taxpayers use federal Free-file. The state should mirror to reduce burden. • Reform needed – don't sell taxpayer other products. • Cannot always file state return for free. • FFA only if no government product. • FFA reduces burden for low income taxpayers.
	CalFile	<ul style="list-style-type: none"> • CalFile related to 'access to data' (easy, accessible, transparent-- broaden/expand to taxpayers) • Taxpayers use CalFile for direct service; how does Free- file option mitigate this?
	Other	<ul style="list-style-type: none"> • Shorten refund cycle for CA e-file. • FTB already has both free-direct e-file, and e-file provider information on the website.

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Access to Data	Allow taxpayers and practitioner the ability to pre-populate online forms and returns.	<ul style="list-style-type: none"> • Policy is transparency; ability to pre-populate would assist in transparency. • Make it possible to pre-populate forms rather than relying on manual input. This would reduce errors. • Transparency equals less burden.
	Provide return information to taxpayers for historical records.	<ul style="list-style-type: none"> • Allow taxpayers to go to source of the data (FTB) to minimize errors. • Provide access to prior year return information. • Provide access to notices, correspondence, and billings.
	Seamless access to taxpayer data for everyone.	<ul style="list-style-type: none"> • Individuals' data should not be available to anyone other than the taxpayer and not easily accessed by anyone else. • Accountants/Preparers should have access to taxpayer information on file with taxpayer's authorization. • Study what the taxpayer wants to access and when they need it. Study whether they need current information or historical. • Give accountant and/or e-file preparer access to taxpayer data to assist with filing and post-filing issues. • Allow maximum transparency of data. Provide access to information from other state agencies such as: <ul style="list-style-type: none"> ▪ EDD data ▪ Employer data ▪ FTB data
	Access to prior year data to populate return.	<ul style="list-style-type: none"> • FTB should compile data and have it available to ease burden for taxpayers and preparers.
	E-database for tax info, including prior year.	<ul style="list-style-type: none"> • Allow businesses to verify and correct employment data.

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Access to Data (continued)	Security & Authentication	<ul style="list-style-type: none"> • FTB is studying an authentication roadmap that will be different than the current Customer Service Number authentication. • Staged Approach of providing data: <ul style="list-style-type: none"> ▪ Determine what information is needed most. ▪ Start by viewing only, no imported information. • Complexity for accessing data is OK for preparers, but not for taxpayers. • Assumes a level of computer sophistication by taxpayers. • 3rd party issues include having others with information to access taxpayer data. • Direct deposit – many taxpayers are not willing to use because of lack of trust.
	Other	<ul style="list-style-type: none"> • Burden is not having access to data. • Principal burden is the slow refund turn-around time. • Burden is filling out forms and record keeping. • Study forms filed by low/middle income taxpayer to determine what is most burdensome. • Look at burden studies.